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Financial Report

OF

GEO. A. HORMEL & COMPANY

AUSTIN, MINNESOTA

For

Fiscal Year Ended October 27, 1951

OFFICERS

Jay C. Hormel	Chairman of the Board
H. H. Corey	President
R. F. Gray	Executive Vice President
R. H. Daigneau	Vice President
Park Dougherty	Vice President
R. D. Gower	Vice President and Controller
T. H. Hocker	Vice President
Clarence A. Nockleby	Vice President
J. L. Olson	Vice President
E. J. Garrity	Assistant Vice President
M. F. Dugan	Treasurer
Geo. W. Ryan	Secretary and Assistant Treasurer
P. C. Knopf	Assistant Treasurer
R. C. Dougherty	Assistant Secretary
R. H. Biedermann	Assistant Controller
E. H. Larson	Assistant Controller

DIRECTORS

R. S. Banfield
S. D. Catherwood
H. H. Corey
R. H. Daigneau
Park Dougherty
M. F. Dugan
R. D. Gower
R. F. Gray
T. H. Hocker
Jay C. Hormel
Clarence A. Nockleby
J. L. Olson

Austin, Minnesota
December 1, 1951

To the Stockholders of
Geo. A. Hormel & Company

The earnings statement and balance sheet of your Company for the year ended October 27, 1951 is submitted herewith.

1951 marks the completion of the sixtieth year in the Company's life. The increase in our work force—from the late Mr. Geo. A. Hormel and one helper sixty years ago to five thousand employees in Austin and three thousand outside of Austin now—corresponds with the increase from 610 hogs slaughtered that first year to three million head of all livestock slaughtered this past year.

Stockholders' investment amounts to $24,192,727. Except for the long-term notes which are payable serially, the Company had no bank loans or other borrowed money at the end of the year. The net quick assets (working capital) amount to $15,134,667.

After making allowance for the increased income taxes voted by Congress at the last session, the net earnings for the year were $2,411,051. This was $4.54 per share of common stock compared to $4.39 per share last year and $3.23 the year before.

We continue to price our inventory at the lower of cost or market.

The Company paid in Joint Earnings to all eligible employees the sum of $1,017,700 which amounted to a little more than two weeks' checks based on a 40-hour week. This year's contribution to the Hormel Employees' Profit-Sharing Trust was $1,316,881. The amount paid to the employees through the Profit-Sharing Trust and in Joint Earnings was $2,334,581 which is $499,116 more than last year.

The cost of additions to plant and equipment during the year has been $1,899,961. The use of these additions and improvements, together with bringing into full operation enlarged facilities previously reported, has permitted an increase to 846,876,829 pounds of product handled which is 6.3% above last year's tonnage. Because of higher prices, the dollar value of product sold amounted to $303,607,317 which is an increase of 21.5%.

Net profit after taxes amounted to less than a penny for each dollar's worth of business done—79c per hundred dollars of sales and 28c per hundred pounds of product sold. Because of higher prices, so low a rate of profit is inadequate for the needs of the business. Replacement of a piece of equipment or a facility often costs several times the cost of the original. The cost of expanding facilities has increased. Even though livestock is converted into meat and delivered to the retailer more rapidly

these days, the value of the meat and livestock we do have to have on hand is greater than it used to be. By the time he receives his invoice and gets it paid, even the customer who is buying the same amount of meat from us owes us more money than he used to. Because these invoices are larger, it takes more cash in the banks to cover the time of transfer of that money from the place where we sell the product to the place where we buy our livestock.

We must have greater profits if the need for an increasing amount of working capital is to be provided by the company's earnings in excess of dividends.

The competition which sets prices within the packing industry has not yet seemed to recognize the added tax burden as a cost of doing business. This industry cannot properly maintain itself if it depends on the traditional narrow profit margin in the meat business *minus* the increased taxes which have been imposed. During this past year, this profit opportunity has been further curtailed by the imposition of price controls and restrictions. Thousands of cattle which should have been handled in our plants were purchased by slaughterers who were somehow able to avoid or evade the limitations which compliance with OPS regulations imposed upon us. Thus we were not always able to furnish our customers normal quantities of dressed beef, and in addition we suffered shortages of beef as raw materials for sausage and canned goods. Tin restrictions and shortages further curtailed our canned goods volume. Arbitrary price ceilings imposed by the OPS on certain canned goods were too close to their cost of production, and arbitrary price ceilings on meat forced us to sell some things for less than they were worth at the same time seasonal fluctuations in demand forced the prices of other items below the ceiling level—an out-of-balance situation which lessened our profit opportunity and created operating difficulties which we do not ordinarily have to face.

We can only hope that somehow these dislocations from our normal way of doing business will not long continue and that we may gain the higher rate of profit which should result from the excellence of our plants and facilities and from the general effectiveness of the eight thousand men and women in our organization.

H. H. Corey
President

BALANC

Geo. A. Hormel & Comp

October

ASSETS

CURRENT ASSETS			$33,081,727
Cash		$ 3,650,414	
Accounts receivable, less allowance of $100,000		9,850,427	
Inventories of products, livestock, packages, and materials—at lower of cost or market		19,217,823	
Unexpired insurance premiums and other prepaid expenses		363,063	
OTHER ASSETS			35,717
Sundry securities, note and deposits, less allowance of $24,500		$ 35,717	
PROPERTY, PLANT AND EQUIPMENT			16,222,343
Land—at cost		$ 290,974	
Buildings and equipment		15,148,994	
Cost	$25,538,303		
Less allowances for depreciation and amortization	10,389,309		
Movable equipment—inventoried at cost, less amortization		782,375	
			$49,339,787

CE SHEET

pany — Austin, Minnesota

27, 1951

LIABILITIES

CURRENT LIABILITIES			$17,947,060
Accounts payable and accrued expenses, including payrolls, profit-sharing trust contribution, etc.		$13,109,729	
Dividends payable November 15		341,331	
Federal taxes on income (including prior year installment due December 15)—estimated		3,196,000	
Portion of bank term loans due within one year		1,300,000	
LONG-TERM DEBT			7,200,000
Unsecured notes payable to banks		$ 8,500,000	
Due $900,000 annually on September 1 to 1956	$4,500,000		
Due $400,000 annually on September 29 to 1956, and $1,000,000 annually on September 29, 1957 and 1958	4,000,000		
Less amounts due within one year, shown above as current liability		1,300,000	
STOCKHOLDERS' INVESTMENT			24,192,727
Preferred stock, cumulative, par value $100 per share: Authorized—48,935 shares; Issued and outstanding — 14,454 shares—Series A, 6%, callable at $105 per share		$ 1,445,400	
Common stock, par value $15 per share: Authorized—600,000 shares; Issued and outstanding — 511,500 shares (including 60 shares represented by unexchanged scrip)		7,672,500	
Earnings reinvested in the business, in addition to amounts transferred to common stock (of the reinvested earnings at October 27, 1951, $3,882,445 was free from the restriction on cash distributions on common stock under the long-term debt agreement)		15,074,827	
			$49,339,787

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal year ended October 27, 1951

SALES (less returns and allowances)		$313,081,453	
Less freight and express		9,474,136	
NET SALES			$303,607,317
COSTS, EXPENSES, AND TAXES (Itemized below)			301,196,266
MATERIAL COSTS AND EXPENSES		$260,704,542	
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately	$258,340,262		
Provision for depreciation and amortization	1,825,826		
Sundry charges (including interest expense of $602,145), less sundry income and credits	538,454		
TOTAL WAGE COSTS		36,878,779	
Wages and salaries, including joint earnings	$ 34,980,550		
Contribution to employees' profit-sharing trust	1,316,881		
Unemployment and federal old age benefit contributions	581,348		
TOTAL TAXES		3,612,945	
State income, property, and other taxes	$ 856,137		
Federal taxes on income (no provision for excess profits tax required)—estimated	2,756,808		
NET EARNINGS			$ 2,411,051

EARNINGS REINVESTED IN THE BUSINESS

Geo. A. Hormel & Company

Fiscal year ended October 27, 1951

Balance October 28, 1950		$14,029,010
Add net earnings for the year		2,411,051
		$16,440,061
Deduct cash dividends		1,365,234
On preferred stock—$6.00 per share	$ 86,724	
On common stock—$2.50 per share	1,278,510	
Balance October 27, 1951		$15,074,827

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the Balance Sheet of GEO. A. HORMEL & COMPANY as of October 27, 1951, and the related Statements of Earnings and Earnings Reinvested in the Business for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Earnings and Earnings Reinvested in the Business present fairly the financial position of GEO. A. HORMEL & COMPANY at October 27, 1951, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 23, 1951